

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AGRE-00 AID-05 EB-08 IO-13 USIA-06
COME-00 TRSE-00 CIAE-00 INR-07 NSAE-00 /050 W
-----311108Z 089003 /11/17
P 300910Z MAR 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC PRIORITY 4057

LIMITED OFFICIAL USE SECTION 1 OF 2 DACCA 1655

C O R R E C T E D C O P Y - FOR SECTION INFORMATION

PASS AGRICULTURE AND AID/ASIA

E.O. 11652: N/A
TAGS: EAID, EAGR, BG
SUBJ: BDG REQUEST FOR ADDITIONAL TITLE I COMMODITIES

REF: STATE 65740

1. SUMMARY. BDG SEEKS AMENDMENT TO FY 77 PL-480 TITLE I AGREEMENT (NEGOTIATED, BUT NOT YET SIGNED) TO PROVIDE FOR AN ADDITIONAL 200,000 MT WHEAT; 100,000 MT RICE AND 40,000 MT EDIBLE OIL. ON BASIS OUR FORECAST OF FOOD-GRAIN OUTLOOK THROUGH END-DECEMBER, 1977, WE RECOMMEND AN ADDITIONAL 100,000 MT RICE AND 100,000 MT WHEAT. OUR RECOMMENDATIONS ON EDIBLE OIL WILL FOLLOW LATER. PLEASE AUTHORIZE US TO OPEN NEGOTIATIONS APRIL 11 TO AMEND OUR AGREEMENT TO PROVIDE THESE ADDITIONAL FOOD-GRAINS. END SUMMARY.

2. FOLLOWING IS TEXT OF FOOD MINISTRY LETTER REQUEST-ING ADDITIONAL TITLE I FOOD COMMODITIES IN US FY 1977.
BEGIN TEXT: THE GOVERNMENT OF BANGLADESH APPRECIATES
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THE POSITIVE TREND OF THE FOOD AID NEGOTIATION BETWEEN THE TWO GOVERNMENTS IN DACCA RECENTLY. WE HAVE JUST RECEIVED A CABLE FROM OUR EMBASSY IN WASHINGTON INFORMING US ABOUT YOUR GOVERNMENT'S APPROVAL OF ALL THE POINTS AGREED IN THE NEGOTIATION. I HOPE THE AGREEMENT WILL BE SIGNED AT A VERY EARLY DATE.

THE AGREEMENT WILL BE SIGNED FOR 2 LAC TONS OF WHEAT.
THE BANGLADESH GOVERNMENT WOULD LIKE THE US GOVERNMENT
TO PROVIDE AN ADDITIONAL QUANTITY OF 2 LAC TONS OF
WHEAT, ONE LAC TONS OF PARBOILED RICE AND 40,000 TONS
OF SOYABEAN OIL BY SEPTEMBER, 1977.

I WOULD REQUEST THE US GOVERNMENT TO START NEGOTIATION FOR THIS ADDITIONAL QUANTITY AS SOON AS POSSIBLE.

PLEASE ACCEPT, YOUR EXCELLENCY, THE ASSURANCES OF
MY HIGHEST REGARDS. END TEXT. (NOTE: ONE LAC EQUALS 100,000).

3. WFP/BDG AGREED FOODGRAIN FORECAST IS NOT EXPECTED
TO BE AVAILABLE BEFORE WEEK OF APRIL 4. OUTSTANDING
ISSUE IS PROBABLE LEVEL OF RATION OFFTAKES OVER NEXT
NINE MONTHS.

4. IN ORDER RESPOND TO REFTTEL, WE HAVE CONSULTED
DONORS AND HISTORICAL RECORD TO PUT TOGETHER OUR OWN
FORECAST AS FOLLOWS (ALL FIGURES IN THOUSAND METRIC
TONS). THE PROCUREMENT FIGURES ARE THOSE FROM SAME
MONTH OF 1976. THE AVERAGE OFFTAKE COLUMN USES THE
AVERAGE OFFTAKES FOR THE MONTH CONCERNED FOR THE PAST
THREE YEARS; THE WORST CASE COLUMN USES THE HIGHEST OFF-
TAKE FOR THAT MONTH IN ANY OF THE PAST THREE YEARS (THE
MARCH OPENING STOCK FIGURES ARE THOSE FROM DACCA 1524):

READ IN THREE COLUMNS: MONTH, AVERAGE LEVEL OFFTAKES, WORSE CASE
OFFTAKES
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MARCH
OPENING STOCK (OS)
(AS OF FIRST OF MONTH), 607, 513
PROCUREMENT (P), 60, 60
IMPORTS (I), --, --
RATION OFFTAKES
INCLUDING FOOD FOR WORK(0), 130, 143

APRIL
OS, 531, 430
P, 17, 17
I, 43 (US TITLE II), 43
O, 123, 137

MAY
OS, 468, 353
P, 50 (WHEAT), 50
I, 110 (WFP 35, EEC 75), 110
O, 116, 130

JUNE

OS, 512, 383

P, 10, 10

I, 165 (FRG 40; EEC 75), 165

WFP 30; UK 20)

20, 127, 153

JULY

OS, 560, 405

P, 4, 4

I, 151 (ITALY 6; EEC 70; CANADA 75), 151

O, 143, 163

AUGUST

OS, 572, 397

P, --, --

I, 207 (CANADA 75; US 75; TITLE II 57), 207

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O, 148, 182

SEPTEMBER

OS 631, 422

P, --, --

I, 125 (US), 125

O, 157, 188

OCTOBER

OS, 599, 359

P, 26, 26

I, 225 (RICE, JAPAN), 25

O, 166, 205

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ACTION NEA-10

INFO OCT-01 ISO-00 AGRE-00 AID-05 EB-08 IO-13 USIA-06

COME-00 TRSE-00 CIAE-00 INR-07 NSAE-00 /050 W

-----040733Z 048276 /17

P 300910Z MAR 77

FM AMEMBASSY DACCA
TO SECSTATE WASHDC PRIORITY 4058

LIMITED OFFICIAL USE SECTION 2 OF 2 DACCA 1655

C O R R E C T E D C O P Y PARAS 7 THRU 9 OMISSION

NOVEMBER
OS, 484, 205
P, 35, 35
I, 45 (AUSTRALIA), 45
O, 139, 155

DECEMBER
OS, 425, 130
P, 114, 114
I, --, --
O, 102, 123

CLOSING STOCK, DEC. 13: 437, 121

NOTE: AN ADDITIONAL 30,000 MT WHEAT IS EXPECTED FROM
EEC, BUT OUR BEST GUESS IS THAT THIS MAY NOT ARRIVE UNTIL
AFTER JANUARY 1, 1978,

5. IMF RECOMMENDATION. THE IMF RESREP TELLS US HE IS
URGING THE BDG TO BUY COMMERCIALY 100,000 MT RICE IN
ORDER TO AVOID THE NECESSITY OF ALTERING
THE RATION MIX OF RICE AND WHEAT, AS RICE STOCKS COULD
BE LARGELY EXHAUSTED BY SEPTEMBER. (AT PRESENT, IN
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STATUTORY RATION AREAS, THE WEEKLY RATION IS THREE
POUNDS RICE AND TWO POUNDS WHEAT. ON MARCH 29, 1977 THE
BDG STOCKS WERE 128,000 TONS OF MAILED RICE AND 140,000
TONS OF PADDY (IN TERMS OF RICE). FOR THE PAST THREE
MONTHS (DECEMBER TO FEBRUARY) RICE OFFTAKES AVERAGED
JUST UNDER 48,880 MT/MONTH. FROM APRIL TO SEPTEMBER 1976
THE OFFTAKES AVERAGED 48,783. WHILE NUMEROUS ADJUSTMENTS
CAN BE MADE TO CONTINUE MEETING THE STATUTORY RATION,
INCLUDING SOME FURTHER SMALL REDUCTION IN THE RICE RATION
AND THE RICE RATION IN BOTH STATUTORY RATION AREAS HAS
IN FACT BEEN CHANGED OVER THESE PERIODS, THE 268,000 MT
ON HAND COULD WELL BE EXHAUSTED WITHIN SIX MONTHS.) THE
IMF REP'S CONCERN IS THAT IF THE BDG REDUCES THE RICE
RATION IN THIS ORYZIVOROUS COUNTRY, MORE CONSUMERS WILL
BUY ON THE OPEN MARKET, TRADERS WILL HOLD BACK STOCKS
TO BENEFIT FROM RISING PRICES, WITH SHARPLY INFLATIONARY
EFFECTS.

6. OTHER FACTORS. IN BANGLADESH, AS AVM MAHMOOD STRESSED AT THE FEBRUARY 3 LOCAL DONORS GROUP MEETING (DACCA 613), A HOARDING/SHORTAGE MENTALITY RESULTS WHEN CONSUMERS PERCEIVE THAT STOCKS ARE LOW. IN OUR VIEW, STOCK LEVELS IN THE AVERAGE OFFTAKES COLUMN ARE SUFFICIENTLY HIGH TO PRECLUDE SERIOUS HOARDING, BUT ONE EFFECT OF PERCEPTION OF POSSIBLE SHORTAGES BY CONSUMERS IS PRICE HIKES BY PRIVATE WHOLESALERS AND INCREASED RATION OFFTAKES. THUS THERE COULD WELL BE HIGHER THAN AVERAGE OFFTAKES THIS FALL.

"7. RECOMMENDATION. ASSUMING THE ACTUAL OUTCOME LIES SOMEWHERE BETWEEN OUR TWO PROJECTIONS IN PARA 4 ABOVE, AND TO AVOID THE RISK OF A SHORTAGE MENTALITY, WE RECOMMEND THAT WE OFFER BDG AN AMENDMENT TO OUR FY 1977 TITLE I AGREEMENT TO PROVIDE FOR AN ADDITIONAL 100,000 MT OF RICE AND 100,000 MT OF WHEAT. THIS MIX IS IN LINE WITH REQUEST LETTER QUOTED IN PARA 2 ABOVE AND AVM LIMITED OFFICIAL USE

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MAHMOOD'S MARCH 28 RESPONSE TO AID DIRECTORS QUESTION OF HOW BDG WOULD WISH TO DIVIDE UP GRAIN IF AMENDMENT WERE LIMITED TO 200,000 MT.

8. SELF-HELP MEASURES. WE SHOULD, IN LINE WITH OUR STATEMENT AT THE THRID NEGOTIATING SESSION (PARA 2, DACCA 1539), RETURN TO THE ISSUE OF REDUCING RATION COVERAGE AND SEEK AN APPROPRIATE AMENDMENT TO THE SELF-HELP MEASURES, WHEN OFFERING AN ADDITIONAL 200,000 MT. WE NOTE THAT THE PRELIMINARY CONCLUSIONS AND RECOMMENDATIONS OF THE JOINT IBRD/INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE'S FOOD PRICE POLICY REVIEW MISSION, INCLUDE THE FOLLOWING (FULL TEXT OF SUMMARY FOLLOWS BY AIRGRAM): QUOTE THE FOOD DISTRIBUTION SYSTEM SHOULD BE ADJUSTED AS FOLLOWS: (A) IN KEEPING WITH THE GOVERNMENT POLICY OF REDUCING SUBSIDIES, RATION SHIP PRICES SHOULD BE RAISED AGAIN IN 1977/78 UNQUOTE AND QUOTE GOVERNMENT OPEN MARKET OPERATIONS SHOULD BE EXPANDED SO THAT FOODGRAINS ARE PROCURED AT THE TIME THAT MARKET PRICES ARE LOW AND THEN SOLD BACK THROUGH THE OPEN MARKET WHEN PRICES ARE HIGHER. THIS WOULD EVEN OUT PRICES WITHOUT COSTING THE GOVERNMENT REVENUE. UNQUOTE.

9. RECOMMENDATION. WE RECOMMEND WE PROPOSED AMENDING THE SELF-HELP MEASURES TO INCLUDE PRECISELY THE SAME LANGUAGE IN OUR AMENDED AGREEMENT.

10. EDIBLE OIL. WE ARE TO RECEIVE A FURTHER BDG REQUEST FOR EDIBLE OIL WITH BACKUP DATA ON MONTHLY OFFTAKES,

STOCKS, IMPORTS, ETC., HOPEFULLY FROM JANUARY, 1975.
WE PLAN SUBMIT OUR RECOMMENDATIONS PROMPTLY FOLLOWING
RECEIPT OF THAT DATA, PROMISED FOR APRIL 2.

11. PL-480 AGREEMENT SIGNING. WE ARE ARRANGING WITH
BDG OFFICIALS TO SIGN AGREEMENT ON FRIDAY, APRIL FIRST
AT 1145 HOURS LOCAL TIME. AS REQUESTED, PLEASE
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AUTHORIZE AMBASSADOR TO SIGN AGREEMENT ON THAT DATE.

12. TIMING. THE BDG HAS REQUESTED US TO BEGIN NEGOTIA-
TIONS FOR THE PROPOSED AMENDMENT APRIL 11. WE SEE NO
REASON TO DELAY AND RECOMMEND WE BEGIN THAT DATE ALONG
LINES RECOMMENDED IN PARAS 7 AND 9 ABOVE. PLEASE AD-
VISE. IN RECOMMENDING AN EARLY START TO A NEXT ROUND
OF NEGOTIATIONS, WE HAVE IN MIND BOTH THE CONCERNS
EXPRESSED ABOUT THE US BECOMING A DONOR OF LAST RESORT
(E.G. PARA 7C, STATE 43281), AND ALSO THE ASSURANCES
IN PARA 7B THAT PURCHASE AUTHORIZATIONS WILL NOT BE
ISSUED UNTIL USDA/STATE/AID HAVE REVIEWED WITH THE
COUNTRY TEAM THE CURRENT FOOD AND STOCK/STORAGE SITUATION
IN BANGLADESH. THUS, ANY DECISIONS ON THE ACTUAL TIMING
OF SHIPMENTS UNDER SUCH AN AGREEMENT COULD
AWAIT COUNTRY TEAM AND WASHINGTON AGENCY ANALYSIS OF
ALL RELEVANT FACTORS.
MASTERS

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Message Attributes

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